



Department of Justice

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JUSTICE DEPARTMENT PETITIONS COURT TO FIND SMITH INTERNATIONAL AND SCHLUMBERGER IN CONTEMPT FOR VIOLATING 1994 COURT ORDER

Action Marks First Criminal Antitrust Contempt Case in More Than 15 Years

WASHINGTON, D.C. -- The Department of Justice today petitioned the United States District Court in Washington, D.C. to find Smith International Inc. and Schlumberger Ltd. in criminal and civil contempt for violating a 1994 Final Judgment of the Court. According to the petitions, Smith and Schlumberger formed a drilling fluids joint venture that is prohibited by the Final Judgment. This is the first criminal antitrust contempt case involving a merger decree in more than 15 years.

“The companies’ flagrant and contemptuous disregard of a binding consent decree is wholly unacceptable,” said Joel I. Klein, Assistant Attorney General in charge of the Antitrust Division. “The Department will not hesitate to enforce its decrees to the full extent of the law.”

The Department’s Antitrust Division filed a civil antitrust lawsuit on December 23, 1993 to block the merger of Dresser Industries Inc. and Baroid Corporation. At the time, M-I Drilling Fluids, a company in which Dresser had a 64 percent interest, and Baroid were the two largest producers of drilling fluids in the United States. A Final Judgment entered on April 12, 1994 required Dresser to sell either its interest in M-I or Baroid’s drilling fluids subsidiary. To comply with the court’s order, Dresser sold its M-I interest to Smith, and Smith agreed to be bound by the Final Judgment. The Final Judgment bars Smith from selling the divested drilling fluid business to,

or combining that business with, the drilling fluid operations of certain companies, including Schlumberger.

Drilling fluids are used while drilling oil and gas wells to control downhole pressure and improve the drilling operation.

The Department's petitions allege that, despite the clear language of the Court's order, Smith sold Schlumberger a 40 percent interest in the joint venture and combined M-I with Schlumberger's drilling fluid operations. According to the Department, Smith's actions were in willful violation of the Final Judgment to which it was bound. The Department also said that Schlumberger willfully acted in concert with Smith despite its knowledge of the prohibition in the Final Judgment. The Department has requested that the court find Smith and Schlumberger in civil and criminal contempt, require both companies to pay a fee for each day they are in violation of the order to comply, and impose criminal penalties.

In 1983, the Department brought a criminal contempt charge against H.P. Hood Inc. for consolidating with and acquiring control of three New England dairies in violation of a 1981 consent decree.

Civil contempt is a sanction to enforce compliance with an order of the court, and a court may order payment of a daily fee to compel a company to comply with that order. Criminal contempt is a sanction to punish a violation of an order of the court, and a court may impose fines.

Smith is headquartered in Houston, Texas. Schlumberger's U.S. headquarters are in New York, New York; its oil field service business is based in Sugarland, Texas.

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